

Message Text

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16

ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 PA-02 PRS-01

USIA-15 XMB-04 FRB-01 /102 W
----- 016822

R 270918Z MAR 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7258

INFO AMCONSUL HONG KONG

AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY SINGAPORE

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

UNCLAS JAKARTA 3676

HONG KONG FOR TREASURY ATTACHE AND EXIM REP
DEPT PLEASE PASS EXIM BANK FOR CLARK

E.O. 11652: N/A

TAGS: EFIN, EALR, ID

SUBJ: PROGRESS IN RESOLVING PERTAMINA FINANCIAL
DIFFICULTIES

REF: JAKARTA 3195

1. THERE FOLLOWS TEXT EMBASSY TRANSLATION OF PRESS
RELEASE ISSUED MARCH 24 BY MINING MINISTER SADLI.

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2. QUOTE. IN VIEW OF RECENT FOREIGN PRESS REPORTS, THE

MINISTER OF MINING DEEMS IT NECESSARY TO ELABORATE ON THE FINANCIAL PROBLEM CURRENTLY FACED BY PERTAMINA. THE PROBLEM WAS CAUSED BY BOTH EXTERNAL AND INTERNAL FACTORS. SINCE 1974 THE MONEY MARKET ABROAD HAS BEEN HIGHLY UNSTABLE. TO BORROW MONEY IS NOT PROFITABLE BECAUSE OF HIGH INTEREST RATES, AND ORDINARY CREDIT HAS ALSO BECOME TIGHT. ON THE OTHER HAND, DOMESTICALLY PERTAMINA IS UNDERTAKING EXTENSIVE DEVELOPMENT. SINCE MID-1974, THE PRICE OF OIL HAS NOT INCREASED, WHEREAS ALL COSTS CONTINUE TO RISE DUE TO INFLATION. MOREOVER, THE MARKET FOR OIL HAS DECLINED SOMEWHAT, PARTICULARLY BECAUSE OF WORLD ECONOMIC RECESSION AND OF MEASURES TAKEN BY THE CONSUMER COUNTRIES. THE GOVERNMENT HAS TAKEN OVER THE FINANCIAL PROBLEMS OF PERTAMINA AND HAS DETERMINED THE POLICY, INCLUDING THE STEPS, TO RESTORE PERTAMINA'S POSITION. THE INTERESTS OF PARTIES OUTSIDE PERTAMINA WILL BE SAFEGUARDED. NORMAL OPERATIONS OF PERTAMINA ARE NOT, AND SHALL NOT BE, AFFECTED BY THE VENT. UNQUOTE.

3. SINCE PERTAMINA FINANCIAL STORY SURFACED HERE LAST WEEK, LOCAL PRESS HAS CARRIED SEVERAL REPORTS AND EDITORIALS. MOST PINTED EDITORIAL (KOMPAS, MARCH 26) MADE PLEA FOR GOI TO PROVIDE ADDITIONAL INFORMATION AND RAISED QUESTIONS CONCERNING PERTAMINA'S MANAGEMENT, STYLE, TAX PAYMENTS AND RELATIONSHIP OF RECENT EVENTS TO OVERALL DEVELOPMENT PROGRAM. IN EVEN-HANDED MANNER, EDITORIAL ALSO SAID, "WE MUST ALSO HONESTLY ADMIT THAT AT TIMES WE HAVE ALL JOINED IN BURDENING PERTAMINA, USUALLY TURNING TO THE STATE-OWNED COMPANY FOR SPECIAL SPENDINGS, FOR SPECIAL PROJECTS."

4. RESPONDING TO REPORTERS FOLLOWING MEETING WITH PRESIDENT SUHARTO ON UPCOMING IGGI MEETING, MINISTER FOR ECONOMY, FINANCE AND INDUSTRY WIDJOJO TOLD REPORTERS, "THE GOVERNMENT IS SOLVING THE ISSUE (PERTAMINA'S FINANCIAL DIFFICULTIES) JUST AS ANY OTHER ECONOMIC PROBLEM."

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5. COMMENT: SO FAR PRESS REPORTS AND REACTION ON PERTAMINA'S FINANCIAL DIFFICULTIES HAVE BEEN LOW-KEY AND RESTRAINED BUT HAVE CONVEYED STRONG MESSAGE TO GOI THAT INDONESIAN PRESS AND PUBLIC EXPECT GOI TO PROVIDE ADDITIONAL INFORMATION ON BACKGROUND AND MEANING OF RECENT EVENTS.
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